

# Summary of Financial Results (Japan GAAP)[Consolidated]

## For the Fiscal Year Ended December 31,2017

Company name: OPTEX GROUP CO.,LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 6914  
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Scheduled date for ordinary general meeting of shareholders: Mar. 24,2018  
 Scheduled date for dividend payment: Mar. 26,2018  
 Scheduled date for filing of securities report: Mar. 26,2018

### 1. Consolidated financial results for the fiscal year ended Dec. 31,2017 (From Jan.1 to Dec.31, 2017)

(1) Consolidated operating results (Millions of yen rounded down)  
 (Percentages indicate changes from the same period in the previous fiscal year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 30,2017	37,504	20.9	4,885	62.0	5,036	63.2	3,386	87.2
Dec. 30,2016	31,027	11.6	3,015	(4.6)	3,086	(4.2)	1,809	(11.8)

(Reference) Comprehensive income: As of Dec. 31,2017: 4,327 million yen 246.4 %  
 As of Dec. 31,2016: 1,249 million yen (26.6 %)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Dec. 31,2017	195.25	194.96	12.6	12.7	13.0
Dec. 31,2016	109.33	109.24	7.4	9.0	9.7

(Reference) Earnings of equity method: As of Dec. 31,2017: 88 million yen  
 As of Dec. 31,2016: 10 million yen

### (2) Consolidated financial position

As of	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Dec. 31,2017	41,569	32,006	70.1	1,680.79
Dec. 31,2016	37,681	28,654	65.0	1,480.66

(Reference) Shareholders' equity: As of Dec. 31,2017: 29,156 million yen  
 As of Dec. 31,2016: 24,504 million yen

### (3) Consolidated statement of cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Dec. 31,2017	4,404	(328)	(2,067)	12,293
Dec. 31,2016	3,487	(2,341)	(565)	10,000

### 2. Dividends

(Base date)	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Full FY			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Dec. 31,2016	-	20.00	-	25.00	45.00	745	41.2	3.1
Dec. 31,2017	-	25.00	-	30.00	55.00	954	28.2	3.5
Fiscal year ending	-	15.00	-	15.00	30.00		26.5	
Dec. 31,2018 (Forecast)								

\* At the Board of Directors meeting held February 14,2018, the Company resolved to implement a two-for-one stock split of its common stock with an effective date of April 1,2018. The annual dividends per share for Fiscal Year 2018 (forecast) stated above indicate amounts calculated in consideration of stock split. The annual dividends per share for Fiscal Year 2018 (forecast) not considering the stock split are 60.00 yen.

3. Forecast of consolidated results for the fiscal year ending Dec. 31, 2018 (From Jan. 1 to Dec. 31, 2018)

(Percentages indicate changes from the previous year.)

Fiscal year ending	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Jun. 30, 2018 (Forecast)	19,700	6.4	2,550	(6.4)	2,600	(6.4)	1,750	(5.6)	67.25
Dec. 31, 2018 (Forecast)	40,500	8.0	5,300	8.5	5,400	7.2	3,600	6.3	113.42

\* Net income per share for Fiscal Year 2018 (forecast) stated above indicate an amount calculated in consideration of the stock split described in "2. Dividends" Net income per share for the six months ending June 30, 2018 and the full-year of Fiscal Year 2018, not considering the stock split, are 100.88 yen and 207.53 yen, respectively.

Net income per share for the fiscal year ending December 31, 2018 (forecast) is calculated based on the projected average number of shares outstanding during the period, including the issuance of new shares (2,766,320 shares) in connection with the share exchange which goes into effect on July 1, 2018 (plan).

4. Others

(1) Material changes in subsidiaries during this period

(changes in scope of consolidations resulting from change in subsidiaries): None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policies associated with revision of accounting standards: None

(b) Other accounting policy changes: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(3) Number of shares outstanding (common stock)

(a) Number of shares outstanding at the end of the period (including treasury stock)

As of Dec. 31, 2017: 17,484,732 shares

As of Dec. 31, 2016: 16,984,596 shares

(b) Number of shares of treasury stock at the end of the period

As of Dec. 31, 2017: 137,772 shares

As of Dec. 31, 2016: 435,160 shares

(c) Average number of shares during the period

Year ended Dec. 31, 2017: 17,346,057 shares

Year ended Dec. 31, 2016: 16,549,020 shares

\* Summary of Financial Results are not subject to audit procedures.

\* Explanation for the proper use of earnings projections, and other notes

At the Board of Directors meeting held February 14, 2018, the Company resolved to implement a two-for-one stock split its common stock with an effective date of April 1, 2018.

Earnings projections are based on information available at the time of publication.

Actual results may materially differ from projections due to various factors that may occur in the future.

Supplementary explanation materials for financial results are scheduled to be posted on the Company's website within one week of the announcement of financial results.

## **1. Overview of Operating Results, etc.**

(1) Overview of operating results for the fiscal year ended December 31, 2017

During the fiscal year under review, the Japanese economy remained on track for a moderate recovery signaled by steady improvement in corporate earnings and employment, which was backed by the government's aggressive monetary easing and other economic measures. Meanwhile, overseas economic trends were generally unstable, caused by factors such as political uncertainties in the U.S., rising geopolitical risks in East Asia, and concerns over economic slowdowns in emerging countries.

Given this background, the Optex Group reorganized itself into a holding company structure, which commenced on January 1, 2017. In this new structure, the Optex Group established the management policy of becoming a corporate group full of Venture Spirit. It has positioned this organizational change as the start of a second beginning and has strived to create new group synergy by developing an organizational climate that allows each operating company to focus on its business and fostering a sense of unity as a group.

As a result, consolidated net sales for the fiscal year under review increased 20.9% year on year, to 37,504 million yen, thanks mainly to the strong performance of CCS Inc., which had joined the Optex Group in the previous fiscal year, and the growth of the Factory Automation Business. In terms of profit, operating income rose to 4,885 million yen (up 62.0% year on year), ordinary income came to 5,036 million yen (up 63.2% year on year), and profit attributable to owners of parent climbed to 3,386 million yen (up 87.2% year on year). Efforts to reduce selling, general and administrative expenses combined with the rise in net sales contributed to this result.

The business results for each segment are described below.

Due to the reorganization into a holding company structure, the Optex Group has changed its business segmentation and segment names beginning in the fiscal year under review. The following year-on-year comparisons use values corresponding to the segments after the change. Details are found in “(Matters Pertaining to Change of Reportable Segments) (5) Notes Concerning Consolidated Financial Statements (Segment Information)”

### <Sensing Solution (SS) Business>

Net sales in the SS Business, the Optex Group's core segment, amounted to 21,091 million yen (up 6.6% year on year), and operating income came to 2,952 million yen (up 31.6% year on year).

In the Security Sensor segment, net sales totaled 13,941 million yen (up 10.0% year on year). In Japan, sales of products for large, important facilities grew steadily and exceeded the sales in the previous fiscal year. Overseas, too, sales in all regions including the Americas, Europe, and Asia remained strong and surpassed the sales in the previous fiscal year.

Net sales in the Automatic Door Sensor segment increased 2.4% year on year, to 4,236 million yen, after sales of products for the domestic market exceeded the result in the previous fiscal year while sales of products for overseas markets remained at the same level as the previous fiscal year.

<Factory Automation (FA) Business>

In the FA Business, sales of products for the electronic component industry, in addition to semiconductors, secondary batteries, and flat panel displays, remained strong in the Japanese market. Overseas, sales of products for Europe and China grew steadily and exceeded the sales in the previous fiscal year by a large margin. As a result, net sales increased 19.0% year on year, to 7,314 million yen, and operating income rose 74.2% year on year, to 910 million yen.

<Machine Vision Lighting (MVL) Business>

In the MVL Business, sales in the Japanese market increased as a result of expanding solutions including peripheral products such as lenses and cameras and improving proposal skills. Overseas, sales to major customers in Europe were strong, and in Asia, sales in Malaysia and other emerging countries grew steadily. As a result, net sales totaled 9,021 million yen and operating income stood at 1,111 million yen.

(2) Overview of financial position during the fiscal year ended December 31, 2017

(Assets)

Total assets amounted to 41,569 million yen at the end of the fiscal year under review, which was an increase of 3,887 million yen from the end of previous fiscal year.

Current assets increased 4,170 million yen to total 29,004 million yen. Increases of 2,292 million yen in cash and deposits, 918 million yen in inventories such as merchandise and finished goods, and 452 million yen in notes and accounts receivable – trade, which more than offset a decrease of 368 million yen in securities, primarily contributed to this result.

Non-current assets were reduced by 283 million yen, to 12,564 million yen. This is a result of a decrease of 444 million yen in intangible assets caused by depreciation and other factors.

(Liabilities)

Total liabilities stood at 9,562 million yen at the end of the fiscal year under review, which was an increase of 535 million yen from the end of previous fiscal year. Key factors that contributed to this result include increases of 829 million yen in income taxes payable, 361 million yen in provision for bonuses, and 266 million yen in accounts payable-other, which more than offset a reduction of 979 million yen in short-term loans payable.

(Net assets)

Net assets totaled 32,006 million yen at the end of the fiscal year under review, which was an increase of 3,351 million yen from the end of previous fiscal year. The increase was mainly a result of increases of 2,533 million yen in retained earnings and 1,167 million yen in capital surplus, which more than offset a decrease of 1,325 million yen in non-controlling interests, due largely to converting Optex FA Co., Ltd., a subsidiary, into a wholly owned subsidiary through a share exchange effective as of January 1, 2017.

(3) Overview of cash flow during the fiscal year ended December 31, 2017

Cash and cash equivalents (“cash”) at the end of the fiscal year under review have increased by 2,292 million yen from the end of the previous fiscal year, to total 12,293 million yen. The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 4,404 million yen (compared with 3,487 million yen in the previous fiscal year). Contributing factors included profit before income taxes of 4,972 million yen, which more than offset a decrease in cash due to an income tax payment of 1,010 million yen and an increase in inventories of 848 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 328 million yen (compared with 2,341 million yen in the previous fiscal year). This was chiefly attributable to purchases of investment securities totaling 754 million yen, property, plant, and equipment amounting to 674 million yen, and intangible assets valued at 155 million yen, which more than offset 1,309 million yen in proceeds from sales and the redemption of short-term and long-term investment securities.

(Cash flow from financing activities)

Net cash used in financing activities came to 2,067 million yen (compared with 565 million yen in the previous fiscal year). Principal factors contributing to this included 1,167 million yen in repayments of short-term loans payable and long-term loans payable, and 847 million yen in dividend payments.

	FY Ended Dec. 2014	FY Ended Dec. 2015	FY Ended Dec. 2016	FY Ended Dec. 2017
Equity Ratio: (%)	75.9	78.0	65.0	70.1
Market Value Equity Ratio (%)	106.3	161.7	112.3	248.3
Cash Flow to Interest-bearing Debt Ratio (Annual)	0.3	0.3	0.6	0.2
Interest Coverage Ratio (Multiple)	680.3	725.9	211.6	355.6

Note: Equity ratio = shareholders' equity / total assets

Market value equity ratio = market capitalization / total assets

Cash flow to interest-bearing debt ratio = interest-bearing debts / cash flow from operating activities

Interest coverage ratio = cash flow from operating activities / interest payment

- \*1. All indicators have been calculated using consolidated financial values.
- \*2. The market capitalization has been calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury shares) at the end of the fiscal year.
- \*3. The cash flow from operating activities used in the calculations is the cash flow from operating activities in the consolidated statements of cash flow. The interest-bearing debts include all interest-bearing liabilities that are listed in the consolidated balance sheet. The interest payment used in the calculations is the interest expenses paid in the consolidated statement of cash flow.

#### (4) Future prospects

The Optex Group forecasts that consolidated net sales for the fiscal year ending December 31, 2018 will be 40,500 million yen (up 8.0% year on year) based primarily on growth in sales of products in the FA and MVL Businesses for the Japanese market and security-related products in the SS Business for the European market. In addition, the Optex Group expects increases of 8.5% year on year in operating income to 5,300 million yen, 7.2% year on year in ordinary income to 5,400 million yen, and 6.3% year on year in profit attributable to owners of parent to 3,600 million yen as a result of investment in further growth and continued efforts to improve profitability. These forecasts assume currency exchange rates of 110 yen to the US dollar and 125 yen to the euro.

(5) Basic policy for profit distribution and dividends for the fiscal year under review and the next fiscal year

The Optex Group considers that the return of profit to shareholders is one of its most important management tasks.

Based on the policy of distributing profit backed by corporate earnings, the Optex Group determines the amounts of dividend payments by comprehensively examining the balance between strengthening the financial foundation needed for future growth and stable and sustainable profit distribution.

In response to the support of its shareholders, the Optex Group will continue to strive to increase the profitability of its business to ensure higher returns for its shareholders.

The Optex Group plans to pay a year-end dividend for the fiscal year under review of 30 yen per share, and combined with the interim dividend of 25 yen per share paid in September 2017, the annual dividend will be 55 yen per share.

As for the next fiscal year, the Optex Group plans to pay an annual dividend of 30 yen per share (15 yen per share as an interim dividend and 15 yen per share as a fiscal year-end dividend) based on the above policy of stable and sustainable return of profit to its shareholders.

The Board of Directors of the Optex Group passed a resolution at the meeting held on February 14, 2018 to implement a 2-for-1 split of common stock with an effective date of April 1, 2018 (planned). The annual dividend per share without taking this stock split into account will be 60 yen (30 yen per share as an interim dividend and 30 yen per share as a fiscal year-end dividend).

## **2. Basic Concept of Selecting Accounting Standard**

The Optex Group plans to prepare its consolidated financial statements based on the Japanese accounting standards for the time being, taking into account the comparability of the periods of consolidated financial statements and comparability among companies.

The Optex Group will consider the adoption of the International Financial Reporting Standards in view of its business environment in Japan and abroad and increasing its corporate value.

## Consolidated financial statements

### Consolidated balance sheets

(Millions of yen)

	As of Dec. 31 2016	As of Dec. 31 2017
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	10,000	12,293
Notes and accounts receivable - trade	7,838	8,290
Securities	621	252
Merchandise and finished goods	3,056	3,516
Work in process	314	407
Raw materials and supplies	1,674	2,040
Income taxes receivable	-	268
Deferred tax assets	534	727
Other	836	1,237
Allowance for doubtful accounts	(44)	(30)
<b>Total current assets</b>	<b>24,833</b>	<b>29,004</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	3,579	3,633
Accumulated depreciation	(2,288)	(2,349)
Buildings and structures, net	1,290	1,284
Machinery, equipment and vehicles	1,184	1,243
Accumulated depreciation	(870)	(962)
Machinery, equipment and vehicles, net	313	281
Tools, furniture and fixtures	5,146	5,326
Accumulated depreciation	(4,528)	(4,680)
Tools, furniture and fixtures, net	617	645
Land	1,966	2,083
Construction in progress	86	45
<b>Total property, plant and equipment</b>	<b>4,275</b>	<b>4,340</b>
<b>Intangible assets</b>		
Patent right	785	701
Trademark right	826	742
Customer related assets	1,410	1,258
Goodwill	887	778
Other	503	489
<b>Total intangible assets</b>	<b>4,414</b>	<b>3,970</b>
<b>Investments and other assets</b>		
Investment securities	3,023	3,081
Long-term loans receivable	30	119
Deferred tax assets	589	506
Other	566	594
Allowance for doubtful accounts	(51)	(47)
<b>Total investments and other assets</b>	<b>4,158</b>	<b>4,253</b>
<b>Total noncurrent assets</b>	<b>12,847</b>	<b>12,564</b>
<b>Total assets</b>	<b>37,681</b>	<b>41,569</b>

(Millions of yen)

	As of Dec. 31 2016	As of Dec. 31 2017
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable - trade	1,630	1,851
Short-term loans payable	1,663	683
Current portion of long-term loans payable	170	101
Accounts payable - other	988	1,255
Income taxes payable	390	1,219
Deferred tax liabilities	13	33
Provision for bonuses	236	597
Provision for directors' bonuses	3	3
Other	607	774
Total current liabilities	5,704	6,520
Non-current liabilities		
Long-term loans payable	160	59
Deferred tax liabilities	1,117	1,031
Deferred tax liabilities for land revaluation	22	22
Net defined benefit liability	1,085	1,150
Provision for directors' retirement benefits	289	128
Other	647	649
Total non-current liabilities	3,322	3,042
Total liabilities	9,026	9,562
<b>(Net assets)</b>		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	3,667	4,835
Retained earnings	18,337	20,871
Treasury shares	(543)	(173)
Total shareholders' equity	24,260	28,330
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	389
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	134	478
Remeasurements of defined benefit plans	(33)	(37)
Total accumulated other comprehensive income	243	825
Subscription rights to shares	37	61
Non-controlling interests	4,113	2,788
Total net assets	28,654	32,006
Total liabilities and net assets	37,681	41,569

## Consolidated statements of income

(Millions of yen)

	Fiscal year ended Dec. 31,2016	Fiscal year ended Dec. 31,2017
Net sales	31,027	37,504
Cost of sales	14,148	16,600
Gross profit	16,879	20,904
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	4,748	5,305
Provision for bonuses	115	363
Retirement benefit expenses	176	205
Provision for directors' retirement benefits	73	10
Provision for directors' bonuses	3	3
Provision of allowance for doubtful accounts	3	0
Research and development expenses	2,318	2,759
Other	6,425	7,370
Total selling, general and administrative expenses	13,863	16,018
Operating income	3,015	4,885
Non-operating income		
Interest income	78	45
Dividend income	50	58
Rent income	21	21
Share of profit of entities accounted for using equity method	10	88
Insurance return	13	15
Gain on sales of investment securities	26	5
Gain on investments in partnership	0	17
Other	41	44
Total non-operating income	243	297
Non-operating expenses		
Interest expenses	16	12
Sales discounts	13	24
Rent expenses	19	12
Foreign exchange losses	97	53
Loss on redemption of securities	21	-
Litigation settlement	-	30
Other	4	13
Total non-operating expenses	172	146
Ordinary income	3,086	5,036
Extraordinary income		
Gain on sales of non-current assets	17	4
Gain on reversal of subscription rights to shares	5	-
Total extraordinary income	23	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	14	7
Loss on liquidation of subsidiaries and associates	-	13
Loss on sales of investments in capital of subsidiaries and associates	-	47
Total extraordinary losses	14	68
Income before income taxes and minority interests	3,095	4,972
Income taxes - current	953	1,565
Income taxes - deferred	133	(315)
Total income taxes	1,087	1,249
Net income	2,008	3,722
Net income attributable to non-controlling interests	198	335
Net income attributable to owners of parent	1,809	3,386

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended Dec. 31,2016	Fiscal year ended Dec. 31,2017
Net income	2,008	3,722
Other comprehensive income		
Valuation difference on available-for-sale securities	8	237
Revaluation reserve for land	1	-
Foreign currency translation adjustment	(763)	370
Remeasurements of defined benefit plans, net of tax	(5)	(3)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(759)	605
Comprehensive income	1,249	4,327
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,068	3,968
Comprehensive income attributable to non-controlling interests	180	358

## Consolidated statements of changes in net assets

Fiscal year ended Dec. 31, 2016 (From Jan. 1 to Dec. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,798	3,653	17,190	(544)	23,098
Changes of items during the period					
Increase by share exchanges					-
Dividends from surplus			(662)		(662)
Net income attributable to owners of parent			1,809		1,809
Purchase of treasury stock				(1)	(1)
Disposal of treasury shares		2		1	3
Change in treasury shares of parent arising from transactions with non-controlling shareholders		12			12
Change in treasury shares arising from change in equity in entities accounted for using equity method					-
Change of scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	14	1,147	0	1,162
Balance at the end of current period	2,798	3,667	18,337	(543)	24,260

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	138	(6)	880	(27)	984	37	1,483	25,603
Changes of items during the period								
Increase by share exchanges								-
Dividends from surplus								(662)
Net income attributable to owners of parent								1,809
Purchase of treasury stock								(1)
Disposal of treasury shares								3
Change in treasury shares of parent arising from transactions with non-controlling shareholders								12
Change in treasury shares arising from change in equity in entities accounted for using equity method								-
Change of scope of consolidation								-
Net changes of items other than shareholders' equity	10	1	(746)	(5)	(740)	(0)	2,629	1,889
Total changes of items during the period	10	1	(746)	(5)	(740)	(0)	2,629	3,051
Balance at the end of current period	148	(5)	134	(33)	243	37	4,113	28,654

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,798	3,667	18,337	(543)	24,260
Changes of items during the period					
Increase by share exchanges		1,156			1,156
Dividends from surplus			(848)		(848)
Net income attributable to owners of parent			3,386		3,386
Purchase of treasury stock				(9)	(9)
Disposal of treasury shares		11		382	393
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Change in treasury shares arising from change in equity in entities accounted for using equity method				(4)	(4)
Change of scope of consolidation			(5)		(5)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	1,167	2,533	369	4,070
Balance at the end of current period	2,798	4,835	20,871	(173)	28,330

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	148	(5)	134	(33)	243	37	4,113	28,654
Changes of items during the period								
Increase by share exchanges								1,156
Dividends from surplus								(848)
Net income attributable to owners of parent								3,386
Purchase of treasury stock								(9)
Disposal of treasury shares								393
Change in treasury shares of parent arising from transactions with non-controlling shareholders								-
Change in treasury shares arising from change in equity in entities accounted for using equity method								(4)
Change of scope of consolidation								(5)
Net changes of items other than shareholders' equity	241	-	343	(3)	581	24	(1,325)	(719)
Total changes of items during the period	241	-	343	(3)	581	24	(1,325)	3,351
Balance at the end of current period	389	(5)	478	(37)	825	61	2,788	32,006

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended Dec. 31,2016	Fiscal year ended Dec. 31,2017
Net cash provided by (used in) operating activities		
Profit before income taxes	3,095	4,972
Depreciation and amortization	995	1,140
Amortization of goodwill	294	125
Increase (decrease) in net defined benefit liability	68	68
Increase (decrease) in provision for directors' retirement benefits	29	(160)
Increase (decrease) in allowance for doubtful accounts	3	(17)
Increase (decrease) in provision for bonuses	(89)	358
Interest and dividend income	(129)	(104)
Interest expenses	16	12
Foreign exchange losses (gains)	47	31
Share of (profit) loss of entities accounted for using equity method	(10)	(88)
Loss (gain) on sales of investment securities	(26)	(5)
Loss (gain) on investments in partnership	(0)	(17)
Loss (gain) on sales and retirement of non-current assets	(3)	2
Impairment loss	-	47
Decrease (increase) in notes and accounts receivable - trade	(350)	(340)
Decrease (increase) in inventories	(150)	(848)
Increase (decrease) in notes and accounts payable - trade	415	135
Other, net	147	1
Subtotal	4,353	5,313
Interest and dividend income received	127	113
Interest expenses paid	(16)	(12)
Income taxes (paid) refund	(976)	(1,010)
Net cash provided by (used in) operating activities	3,487	4,404
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	851	639
Purchase of investment securities	(280)	(754)
Proceeds from sales of investment securities	865	670
Purchase of property, plant and equipment	(626)	(674)
Proceeds from sales of property, plant and equipment	24	13
Purchase of intangible assets	(60)	(155)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,115)	-
Proceeds from sales of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	-	37
Payments of loans receivable	(16)	(118)
Collection of loans receivable	16	14
Net cash provided by (used in) investing activities	(2,341)	(328)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	274	(996)
Repayments of long-term loans payable	(142)	(170)
Proceeds from issuance of common shares	0	-
Cash dividends paid	(662)	(847)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(8)
Proceeds from share issuance to non-controlling shareholders	55	8
Dividends paid to non-controlling interests	(89)	(43)
Purchase of treasury shares	(1)	(9)
Net cash provided by (used in) financing activities	(565)	(2,067)
Effect of exchange rate change on cash and cash equivalents	(481)	284
Net increase (decrease) in cash and cash equivalents	99	2,292
Cash and cash equivalents at beginning of period	9,901	10,000
Cash and cash equivalents at end of period	10,000	12,293

## Notes Concerning Consolidated Financial Statements

[Notes Relating to the Going Concern Assumption]

No items to report

[Segment Information]

### 1. Summary of Reporting Segments

The company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The company's business segments are based on the product and service categories, comprise its three principal reporting segments, which are SS (Sensing Solution) Business, FA (Factory Automation) Business, MVL (Machine Vision Lighting) Business

(Matters Pertaining to Change of Reportable Segments)

In conjunction with the transition to a holding company structure on January 1, 2017, the Company has changed its reportable segments, and from the current consolidated fiscal year has reorganized the traditional four classifications of Sensing Products Business, Factory Automation Business, Machine Vision Lighting Business and Contract Manufacturing Business into the three classifications SS Business, FA Business, and MVL Business.

The major products and services of each reportable segment after the change are shown below.

Business name	Major products and services
SS (Sensing Solution) Business	Manufacture and marketing of security sensors, automatic door sensors, measuring instruments, traffic safety sensors, electronic contract manufacturing service, customer traffic counting systems, and electronic components
FA (Factory Automation) Business	Factory automation sensors
MVL (Machine Vision Lighting) Business	LED lighting for image processing

The segment information for the prior fiscal year has been prepared based on the classifications after the change.

2.Sales and Income (Loss) by Reporting Segment

Fiscal year ended Dec. 31, 2016 (From Jan. 1 to Dec. 31, 2016)

(Millions of yen)

	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Sensing Solution Business	Factory Automation Business	Machine Vision Lighting Business	Total				
Net Sales								
Unaffiliated customers	19,777	6,149	5,023	30,950	77	31,027	-	31,027
Intersegment transfer	142	2	0	145	35	181	(181)	-
Total	19,920	6,152	5,023	31,096	112	31,208	(181)	31,027
Segment income	2,243	522	242	3,008	3	3,011	3	3,015
Segment Assets	19,057	4,715	10,551	34,323	65	34,389	3,292	37,681
Other items								
Depreciation expenses	569	87	336	992	3	995	-	995
Amortization of goodwill	245	-	48	294	-	294	-	294
Investment in equity method affiliates	-	133	-	133	-	133	98	231
Increase in tangible fixed assets and intangible assets	430	47	170	649	2	651	-	651

(Notes) 1.The classification of "Other Business" is the business segment, which is not included in the reportable segments, and its businesses are Sports clubs, etc.

2.Adjustment of segment profit JPY3 million represents intersegment transactions.

Adjustment of segment assets of JPY3,292 million includes corporate assets of JPY3,485 million and elimination of intersegment transactions of JPY(193) million. Corporate assets are mainly surplus funds and land,buildings.

Adjustment of Investment in equity method affiliates of JPY98 million is not included in the reportable segments.

3.Segment income is adjusted with operating income in the Consolidated statements of income.

Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017)

(Millions of yen)

	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Sensing Solution Business	Factory Automation Business	Machine Vision Lighting Business	Total				
Net Sales								
Unaffiliated customers	21,091	7,314	9,021	37,428	76	37,504	-	37,504
Intersegment transfer	255	13	1	270	31	301	(301)	-
Total	21,347	7,328	9,022	37,698	107	37,806	(301)	37,504
Segment income	2,952	910	1,111	4,973	5	4,979	(93)	4,885
Segment Assets	20,258	5,058	11,286	36,607	65	36,669	4,899	41,569
Other items								
Depreciation expenses	433	58	523	1,015	2	1,017	122	1,140
Amortization of goodwill	52	-	73	125	-	125	-	125
Investment in equity method affiliates	-	212	-	212	-	212	102	314
Increase in tangible fixed assets and intangible assets	259	74	420	755	0	755	72	828

(Notes) 1.The classification of "Other Business" is the business segment, which is not included in the reportable segments, and its businesses are Sports clubs, etc.

2.Adjustment of segment profit JPY(93) million represents intersegment transactions.

Adjustment of segment assets of JPY4,899 million includes corporate assets of JPY5,891 million and elimination of intersegment transactions of JPY(991) million. Corporate assets are assets of OPTEX GROUP CO.,LTD.

Adjustment of Investment in equity method affiliates of JPY102 million is not included in the reportable segments.

3.Segment income is adjusted with operating income in the Consolidated statements of income.

[Segment Data by Location]

Fiscal year ended Dec. 31, 2016 (From Jan. 1 to Dec. 31, 2016)

Net Sales by Location				(Millions of yen)
Japan	Americas	Europe	Asia	Total
12,428	4,124	10,358	4,115	31,027

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017)

Net Sales by Location				(Millions of yen)
Japan	Americas	Europe	Asia	Total
15,830	4,599	11,949	5,124	37,504

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

[Significant subsequent events]

(Conversion of consolidated subsidiary to a wholly owned subsidiary through a share exchange and a stock split and revision of the Articles of Incorporation)

The Boards of Directors of Optex Group Co., Ltd. and its consolidated subsidiary, CCS Inc., passed the resolution at their respective meetings held on February 14, 2018 to implement a share exchange that would make Optex Group Co., Ltd. a wholly owning parent company in share exchange and CCS Inc. a wholly owned subsidiary in share exchange with an effective date of July 1, 2018 (planned), and the two companies signed a share exchange agreement.

In addition, the Board of Directors of Optex Group Co., Ltd. passed a resolution at the meeting on February 14, 2018 to implement a 2-for-1 split of common stock with an effective date of April 1, 2018 (planned) and partially revise the Articles of Incorporation based on the stock split.

For details, please refer to the Company's announcement "Notice of Conclusion of Share Exchange Agreement for Conversion of CCS Inc. into a Wholly Owned Subsidiary of Optex Group Co., Ltd. through Share Exchange and Split of the Optex Group's Shares and Revision of Articles of Incorporation" released on February 14, 2018.